

**CONFLICT OF INTEREST POLICY  
HARBOR DISTRICT, INC.**

*Adopted Effective SEPTEMBER 25, 2019*

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1. Purpose: The purpose of this conflict of interest policy (“the Policy”) is to protect the interests of Harbor District, Inc. (the “Corporation”) in its activities and transactions. This Policy is intended to address any conflict of interest or the appearance of any conflict on the part of board members or other interested persons, including to reduce or eliminate perceptions of favoritism or undue influence. A conflict of interest exists when the personal or professional interests of a board member or other interested person may affect his or her objectivity. This Policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest for nonprofit corporations.
2. General Policy: Anyone making decisions on behalf of the Corporation should always act based on the best interests of the Corporation, and no individual associated with the Corporation should use his/her position for personal benefit, for the benefit of friends or relatives, or to further any outside interests or personal agenda. This standard applies to all transactions and decisions, whether or not expressly covered by this Policy.
3. Definitions:
  - a. An “Interested Person” is any director, officer, member of a committee or staff member of the Corporation.
  - b. A “Potential Conflict” exists whenever the personal, professional or financial interest of an Interested Person is opposed to that of the Corporation, or when such an interest or any conflicting fiduciary duty might influence the Interested Person’s actions and judgment on behalf of the Corporation. A Potential Conflict also exists when there is an appearance that an Interested Person’s actions may be influenced by a competing interest or duty.
  - c. An “Actual Conflict” exists whenever an Interested Person’s competing interest or fiduciary duty is substantial enough that the Interested Person cannot reasonably be expected to exercise independent judgment and take action in the best interest of the Corporation.
  - d. Conflict of Loyalty. Conflicts may arise that do not involve financial gain. Officers and directors may have interests, affiliations, or loyalties, such as membership on other non- or for-profit boards, such that their loyalties are divided between the interest of the Corporation and another interest. A conflict exists if the involvement or relationship of the officer or director is such that it reduces the likelihood that the officer or director can act in the best interest of the Corporation.
  - e. Examples. Actual Conflicts and Potential Conflicts most frequently arise in (but are in no way limited to) the context of: decisions about an Interested Person’s compensation (as a contractor or employee); decisions about transactions with

organizations in which an Interested Person holds an ownership interest; or decisions about transactions with an organization that employs an Interested Person. Actual or Potential Conflicts may also arise when the Corporation is contemplating a transaction with a close relative or domestic partner of an Interested Person, or any organization in which such a related person has an ownership interest or which employs such a person. Actual Conflicts generally should not arise when the potential benefit to the Interested Person is tenuous or remote, such as an Interested Person with investments in a mutual fund which holds a small amount of stock in a particular company.

4. Board Procedure:

- a. Whenever an Interested Person becomes aware of a Potential Conflict, whether financial or otherwise, s/he shall make the situation known to the President (or to the Secretary if the President is reporting a Potential Conflict) and provide all facts material to the nature and scope of the Potential Conflict, including whether the Interested Person believes the Potential Conflict could impair, or appear to compromise, his/her ability to make an independent decision based solely on the best interest of the Corporation. If the Interested Person involved does not make this disclosure, another Interested Person with knowledge of the Potential Conflict may report the Potential Conflict to the President (or the Secretary when the President is the subject of the Potential Conflict).
- b. The board or an applicable committee designated by the board shall determine whether a Potential Conflict gives rise to an Actual Conflict. After presenting information regarding the Potential Conflict, the involved Interested Person(s) must retire from the meeting and not participate in the board's or committee's final discussion and voting on the existence of an Actual Conflict, except that the Interested Person(s) may be invited back to provide any relevant information that could be of use to the board in making its decision. An Interested Person shall never be present for the board's vote on whether a Potential Conflict gives rise to an Actual Conflict.
- c. If the Board of Directors determines that an Actual Conflict exists:
  - i. The member involved shall have the opportunity, before voting on the subject of the conflict, to offer his perspective and insights on the subject;
  - ii. The member involved shall not be present for Board discussion and voting on the subject;
  - iii. Discussion and voting shall remain confidential, except for the ultimate decision of the board;
  - iv. The member shall continue to count towards a quorum.
- d. If the Board of Directors determines that no conflict exists, but the member involved feels that there is an appearance of conflict, or feels participation represent a conflict with regard to other entities to whom he may have a duty, he may withdraw from discussion or abstain from voting as he feels appropriate.

- e. In determining whether to proceed with a transaction involving an Actual Conflict, the board or committee's decision shall be based on consideration of whether the transaction:
  - i. is in the Corporation's best interest and for its own benefit;
  - ii. is fair and reasonable to the Corporation; and
  - iii. is the most advantageous transaction or arrangement the Corporation can obtain with reasonable efforts under the circumstances.
- 5. Staff Procedure: Whenever a staff member becomes aware of a Potential Conflict of interest in an area where s/he exercises any discretion in carrying out his/her duties for the Corporation, s/he shall promptly disclose the Potential Conflict to the Executive Director, who in turn shall disclose the Potential Conflict to the President if the Executive Director believes that the Potential Conflict could give rise to an Actual Conflict. If the Executive Director has a Potential Conflict, s/he shall disclose it to the President. The board shall determine whether there is an Actual Conflict. When an Actual Conflict is found to exist, the Interested Person shall provide the supervisor all information s/he has relevant to any decision to be made in which s/he has an interest, and the final decision shall be made by the board.
- 6. Violations of the Conflict of Interest Policy.
  - a. If the Board of Directors or committee has reasonable cause to believe that a person subject to this Policy has failed to disclose actual or possible conflicts of interest, it shall inform that person of the basis for such belief and afford that person an opportunity to explain the alleged failure to disclose actual or possible conflicts of interests.
  - b. If, after hearing the person's response and after making further investigation as warranted by the circumstances, the Board of Directors or committee determines the person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.
- 7. Annual Distribution, Acknowledge and Disclosure: This Policy shall be distributed annually to all directors, officers, members of board committees, and staff. All covered individuals shall sign an annual acknowledgement, substantially in the form attached to this Policy, that they have received a copy of this Policy, understand it, and agree to abide by its terms.
- 8. Records.
  - a. The minutes of the governing board and all committees with board delegated powers shall contain:

- i. The names of the persons who disclosed or otherwise were found to have a Conflicting Interest, the nature of the Conflicting Interest, any action taken to determine whether an Actual Conflict, and the governing board's or committee's decision as to whether an Actual Conflict in fact existed; and
    - ii. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.
  - b. The Secretary shall collect the annual statements required under this Policy and keep such statements with the corporate records.
9. Periodic Reviews. To ensure the Corporation operates in a manner consistent with exempt purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews may be conducted. The periodic reviews may generally include the following subjects:
  - a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining; and
  - b. Whether partnerships, joint ventures, and other arrangements conform to the Corporation's written policies (as applicable), are properly recorded, reflect reasonable amounts paid for goods and services, further exempt purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

The Corporation may, but need not, use outside advisors to provide advice for periodic reviews. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

**ANNUAL STATEMENT**

**STATEMENT OF DIRECTOR, OFFICER OR MEMBER OF COMMITTEE  
OF HARBOR DISTRICT, INC. (THE "CORPORATION")  
AS TO ANY CONFLICT OF INTEREST**

In accordance with the Conflicts of Interest Policy of the Corporation (the "Policy"), I hereby affirm that:

1. I have received a copy of the Policy.
2. I have read and understand the Policy.
3. I agree to comply with the terms of the Policy.
4. I understand that the Corporation intends to qualify as a tax-exempt organization and that in order to qualify for and maintain federal tax exemption it must engage primarily in activities that accomplish one or more tax-exempt purposes.
5. To my present knowledge neither I nor any member of my immediate family is affiliated (as a director, trustee, officer, shareholder, partner, member, owner, employee or agent) with any business or organization with which the Corporation has, or in the foreseeable future probably would have, a transaction, contract or other interaction that may give rise to a Potential Conflict on my part, except as follows:

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*(When in doubt, please disclose Potential Conflicts, so that the board may determine if an Actual Conflict exists.)*

I agree to report to the Secretary of the Corporation any changes in my response above as changes in my circumstances occur.

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Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name